

I. APPLICANT ELIGIBILITY

A. Conflict of Interest

No member of the governing body of the locality and no other official, employee, or agent of the City government who exercises policy, decision-making functions, or responsibilities in connection with the planning and implementation of the program shall directly or indirectly be eligible for this program, unless the application for assistance has been reviewed and approved according to applicable California Department of Housing and Community Development (HCD) guidelines. This ineligibility shall continue for one year after an individual's relationship with the City ends.

A contractor with a vested interest in the property cannot bid on a rehabilitation job. Such a contractor may act as owner/builder, subject to standard construction procedures. (Owners/builders are reimbursed for materials purchased which are verified by invoice by the Construction Supervisor to be part of the scope of work. Owner/builders are not reimbursed for labor).

B. Income

1. Owner Occupant – To be eligible, household income must be equal to, or less than, the applicable HCD income guidelines. Owner will be required to provide income documentation. (See attached Income Inclusions and Exclusions/Income Limits).
2. Owner Investor – There are no restrictions on the income of the owner investor unless the owner investor is a member of the Targeted Income Group (TIG) and is interested in qualifying for a Deferred Payment Loan (see III.B.2.c).
3. Tenant – If a rental is currently occupied, the tenant's household income must be equal to, or less than, the applicable HCD income guidelines. Tenant will be asked to cooperate by providing income documentation. (See attached Income Inclusions and Exclusions/Income Limits).

C. Occupancy

No unit to be rehabilitated will be eligible if an HCD ineligible household currently occupies it. Rental households occupying such units will be allowed to remain in the units. To prevent owners from evicting ineligible tenants before applying for the program, the owner must certify that no tenant has been forced to move without cause during the previous six months.

D. Fair Housing

This program will be implemented in ways consistent with the City's commitment to Fair Housing. No person shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with Community Development Block Grant (CDBG) funds on the basis of his or her religion affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (children), physical or mental disability, sexual orientation, or other arbitrary cause.

E. Temporary Relocation

1. Tenants will be informed of their eligibility for temporary relocation benefits if occupancy during rehabilitation constitutes a danger of health and safety of tenant or public danger or is otherwise undesirable because of the nature of the project. Relocated tenants will receive benefits as detailed in the City's "Residential Antidisplacement and Relocation Assistance Plan", attached to these guidelines.
2. Owner occupants are not eligible for temporary relocation benefits, unless health and safety threats are determined to exist by the Housing Inspector.

II. PROPERTY ELIGIBILITY

A. Location

Units to be rehabilitated must be located within the funding targeted area not exceeding the current City limits.

B. Rehabilitation Standards

All repair work will meet Uniform Building Code standards. The priority will be the elimination of health and safety hazards.

C. Property Improvements

All improvements must be physically attached to the property and permanent in nature. General Property Improvements (GPI) and luxury items are not permitted. If a garage or carport is detached, it may not be rehabilitated unless required by the Building and/or Planning Department otherwise it may be demolished, if it is determined to be a health and safety issue. A driveway and sidewalk may be considered part of rehabilitation only if it is determined to be a health and safety issue. All these apply to Owner-Occupant, Owner Investor, and Reconstruction projects. GPI shall not exceed 15% of the total loan amount, unless approved by the Loan Review Committee.

Items considered as GPI are as follows but not limited to: high quality ceiling fans & doors, carports, garages, fencing, landscaping, window blinds, and patios.

- a) A homeowner requesting to purchase GPI/ luxury items to be placed on their construction rehabilitation will not be allowed.
- b) Any “extra” money shall be applied back into the City’s rehabilitation loan, so that the total amount can be lowered.

D. Energy Conservation

The Housing Rehabilitation Program shall provide the following items to conserve energy:

- 1. Exterior coverings for walls facing South and East.
- 2. Standard ceiling fans, dual glaze windows, insulation, window blinds, door weather stripping, etc.

E. Lead Base Paint

All renovation on housing structures prior to 1978 shall require certified lead base testing. Cost for the lead base testing will be absorbed by the owner investor. Cost for the lead base testing to the owner occupant will be granted by CDBG funds.

III. REHABILITATION FINANCING

A. Owner Occupant

1. **Limits** – An eligible owner may qualify for the full cost of rehabilitation work needed to comply with Uniform Building Code standards. Maximum construction assistance with CDBG funds will not exceed \$90.00 per sq. ft. Total indebtedness against property will not exceed 100 percent of after rehabilitation value.

Exceptions:

- a. There exist handicap individual who is in immediate need of special facility.
- b. The housing structure is in hazardous condition that it could warrant red tagging the property.
- c. Overcrowding that would force two or more members of the opposite sex to share a bedroom.

At which time the application will be reviewed on a case by case basis with the support of the State Representative.

Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other loan or grant programs, which are sources of leverage for the City.

2. Types of Financing and Terms

- a. Amortized loan – Below Market Interest Rate (BMIR) loan at 2% secured by a deed of trust and with a maximum term of 30 years.
- b. Deferred Payment Loans (DPL) – Zero percent interest (0%) bearing loan, secured by a deed of trust, with no payback required until the participant sells or transfers title or discontinues residence in the dwelling, unless sold or transferred to a targeted income group household (see IV.A.2). Payments may be made voluntarily on a DPL before the loan becomes due.
- c. Grants are limited, with a maximum \$20,000 per household. All grants exceeding \$5,000 homeowner will be required to execute a forgivable loan agreement for a minimum of five (5) years. If property is sold, transferred or converted to a rental grant shall become invalid and grant will become immediately due and payable.

3. Determining Eligibility

- a. Every targeted income group owner occupants who is determined to be eligible for the CDBG program may receive DPL financing.
- b. A limited number of grants are available for the following:
 - 1) Handicapped – only for handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed.
 - 2) Senior Citizens at least 62 years of age - with Lowest Targeted Income Group – with gross annual income less than 50 percent of county median income with emergency needs which include the following:
 - a. electrical
 - b. plumbing
 - c. A/C unit
 - d. Roofing
 - e. Security(doors, fencing, alarms, windows, etc)
 - f. Property sidewalks
 - g. Ramps
 - 3) Under special circumstances, property clean up would be offered, which otherwise could create a hazardous condition. Such assistance needs to be in conjunction with housing renovation.
 - 4) Maximum of \$10,000 grant will be available to lowest non-elderly targeted group with gross annual income less than 50% of county median income. This provision will be for emergency situations only to include on of the following:
 - a. electrical
 - b. plumbing
 - c. a/c unit
 - d. roofing

B. Owner Investor

1. Limits – An owner investor may qualify for the full cost of the rehabilitation work needed to comply with Uniform Building Code standards. Maximum assistance from CDBG funds will not exceed \$90.00 per square feet. Total indebtedness against property will not exceed 100 percent after rehabilitation value. Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other sources of leverage.
2. Types of Terms of Financing
 - a. Amortized loan – Below Market Interest Rate (BMIR) loan at 3% secured by a deed of trust and with a maximum term of up to 30 years.
 - b. Combined financing – 50 percent of rehabilitation costs as a BMIR loan and 50 percent as a DPL. A DPL is a 0% interest bearing loan secured by a deed of trust with no payback required until the amortized loan is paid off, the owner investor sells or otherwise transfers title of the rehabilitated property, unless sold or transferred to a targeted income group household (See IV.A.2). Payments may be made voluntarily on a DPL.
 - c. DPL for a TIG owner investor who agrees to comply with standard investor restrictions (Agreement for minimum five years and recorded Rent Limitation Agreement for life of the loan), as outlined below. Same terms as described in #2.b. above.

4. Restrictions

- a. Rent Limitation Agreement (RLA)

An owner investor who elects to rehabilitate a rental unit with CDBG/CalHome/Home or any State or Federal financing must sign an RLA, which will be recorded. This agreement will specify the following:

- 1) In no instance shall rents exceed the U.S. Department of Housing and Urban Development (HUD) Fair Market Rent (FMR) schedule while the RLA is in effect.
- 2) Base Rent - - Vacant Unit
If the house is vacant, rent charges shall not exceed 30 percent of 80 percent City median income for the appropriate household size in that unit. Owner investor shall affirmatively seek TIG households by contacting the local housing authority. Where such contact does not result in eligible TIG tenants, the owner investor shall contact the City for guidance.
- 3) Base Rent - - Occupied Unit
If the house is occupied, rent charges shall not exceed 30 percent of the existing tenants' household income; or, where, before rehabilitation, rents already exceed 30 percent of the existing tenants' income, no rent increases shall be allowed which provide for rents plus utilities over 30 percent of the tenants' income.

5. **Terms**

- a) If financing is a BMIR or a combined BMIR/DPL, adherence to these rent limitations shall be no less than the life of the loan except if paid before the term of agreement than the rent limitation agreement shall be a maximum of five (5) years from the date of Notice of Completion of construction or adhere to each funding restrictions such as CalHome, Home and State or Federal.
- b) If financing is a DPL, adherence to these rent limitations will be for the term of the loan.

6. Compliance

Failure to comply with these terms and conditions will result in the loan becoming due and payable. If necessary, foreclosure proceedings will be instituted.

- a. Maintenance Agreement - As specified in the Rehabilitation Loan Agreement, an owner investor who participates in the program must maintain the property at post-rehabilitation conditions for a minimum of five years. Should the property not be maintained accordingly, the loan will become due and payable, and if necessary, foreclosure proceedings will be instituted.
- b. Monitoring – Rental units occupied by low-income families will be monitored by staff on an annual basis.

c. Lead-based Paint

Program participants, including tenants, rehabilitating homes constructed prior to January 1, 1978 must be provided with the proper disclosure notification concerning lead-based paint (LBP) hazards. Whenever pre-1978 houses are rehabilitated under CDBG, please refer to Chapter 20, Lead-Based Paint requirements for guidance. The costs associated with meeting these requirements are eligible to be paid for with CDBG funds, and should be considered during program design.

d. Maintenance Agreement

As specified in the Rehabilitation Loan Agreement, an owner investor who participates in the program must maintain the property at post-rehabilitation conditions for a minimum of five years. Should the property not be maintained accordingly, the loan will become due and payable, and if necessary, foreclosure proceedings will be instituted.

5. Prevailing Wages

Apply only to projects where there are eight or more units.

C. RECONSTRUCTION FINANCING – OWNER OCCUPANT, ONLY

a. Limits

An eligible owner may qualify for the full cost of reconstruction work needed. Maximum assistance with CDBG funds will not exceed \$90.00 per square feet. Total indebtedness against the property will not exceed 100 percent after reconstruction value. Except if it applies to Section 3 A., 1 of the Housing Guidelines. Reconstruction costs for CDBG funded jobs may be supplemented with personal financing or with other loan or grant programs, which are sources of leverage for the City.

b. Property Improvements

General property improvements for reconstruction would allow for the construction of an attached carport, garage and/or a driveway. Fencing/storages shall be allowed in high crime areas for safety purposes or if required as a zoning requirement. GPI shall not exceed 15% of the total loan amount; if it is necessary to exceed the 15% it shall be presented and approved by the Loan Review Committee.

1. Financing and Terms

All terms and conditions are the same as identified in the Rehabilitation Financing section.

D. COLONIA RESIDENTS

Owner Occupant

1. Limits – An eligible owner may qualify for the full cost of rehabilitation work needed to comply with Uniform Building Code standards. Maximum construction assistance with CDBG funds will not exceed \$90.00 per square feet. Total indebtedness against property will not exceed 100 percent of after rehabilitation value. Exceptions:
 - a. There exist handicap individual who is in immediate need of special facility.
 - b. The housing structure is in hazardous condition that it could warrant red tagging the property.
 - c. Overcrowding that would force two or more members of the opposite sex to share a bedroom.

At which time the application will be reviewed on a case by case basis with the support of the State Representative.

2. Rehabilitation costs for CDBG funded jobs may be supplemented with personal financing or with other loan or grant programs, which are sources of leverage for the City.
3. **Types of Financing and Terms**
 - a. Amortized loan – at 0%, secured by a deed of trust and with a maximum term of up to 30 years.
 - b. Deferred Payment Loans (DPL) – Zero percent interest (0%) loan, secured by a deed of trust, with no payback required until the participant sells or transfers title or discontinues residence in the dwelling, unless sold or transferred to a targeted income group household (see IV.A.2). Payments may be made voluntarily on a DPL before the loan becomes due. The full amount of the loan can be deferred to qualified very-low income applicants.

- d. Grants are limited, with a maximum \$30,000 per household. All grants exceeding \$5,000, homeowner will be required to execute a forgivable loan agreement for a minimum of ten (10) years. If property is sold, transferred or converted to a rental grant shall become invalid and grant will become immediately due and payable.

6. Determining Eligibility

- a. Every targeted income group owner occupants who is determined to be eligible for the CDBG program may receive DPL financing.
- b. A limited number of grants are available for the following:
 - 1) Handicapped – only for handicap modifications to a house with one or more physically handicapped occupants who would function more independently if such modifications were installed.
 - 2) Lowest Targeted Income Group – with gross annual income less than 50 percent of county median income with emergency needs which include the following:
 - a. Electrical
 - b. Plumbing
 - c. A/C unit
 - d. Roofing
 - e. Security (doors, fencing, alarms, windows, etc.)
 - f. Property sidewalks
 - g. Ramps
 - h. Replacement of propane gas to electrical set-up.
- c. Property clean up to be offered, which otherwise could create a hazardous condition.
- d. Such assistance needs to be in conjunction with housing renovation

E. RESIDENCY REQUIREMENTS

A. Owner-Occupant

- 1. Owner occupants will be required to submit to the City between January 1 and 15 of each year for the term of the loan:

- a. Proof of occupancy in the form of a copy of a current utility bill.
 - b. Statement of unit's continued use as a residence.
 - c. Declaration that other title holders do not reside on the premises.
2. In the event that an owner occupant sells, transfers title, or discontinues residence in the rehabilitated or purchased property for any reason, the loan is due and payable.
 - a. If the owner occupant transfers title to an heir of the property who would be a targeted income group household, the City will consider continuing all or part of the lien as a DPL being that the new owner qualifies under the guidelines.
 - b. If the owner occupant dies, and if the heir to the property lives in the house and is income eligible, the heir may be permitted, upon approval of the City, to assume the loan at the rate and terms the heir qualifies for under current participation guidelines.
 - c. If the owner occupant dies and the heir is not income eligible, but he or she chooses to rent the unit to TIG households and agrees to comply with owner investor restrictions, the heir may be permitted, upon approval of the City, to assume the loan at the same rate and terms offered owner investors under current program guidelines. If
 - d. The heir/owner investor does not comply with owner investor restrictions, the loan is due and payable.
3. If an owner occupant wants to convert the rehabilitated property to a rental unit, the owner must notify the City in advance. If the City approves the conversion of an owner occupied unit to a rental, the owner will be required to comply with the provisions of the owner investor guidelines, including rent limitation provisions and financing arrangements.
4. If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

B. Owner Investor

1. If an owner investor sells or transfers title of the rehabilitated property for any reason, the loan is due and payable.
2. An owner investor may convert a rental property to his or her personal residence if all conditions below exist:
 - a. He or she can prove that the previous tenant was not evicted without cause.
 - b. He or she is income eligible.
 - c. He or she requests approval from the City.
3. If an owner investor converts a rental property, rehabilitated with CDBG funds, to his or her personal residence, but he or she is not income eligible, the loan is due and payable.
4. If an owner wants to convert the rehabilitated property to any commercial or non-residential use, the loan is due and payable.

F. DEFAULT AND FORECLOSURE

If an owner defaults on a loan, and foreclosure procedures are instituted, they shall be carried out according to the Foreclosure Policy adopted by the City, and attached to these guidelines.

G. INSURANCE

a. Fire Insurance

The applicant shall maintain fire insurance on the property for the duration of the loan(s). This insurance must be an amount adequate to cover all encumbrances on

the property. The insurer must identify the City as Loss Payee for the amount of the loan(s). A binder shall be provided to the City.

In the event the applicant fails to make the fire insurance premium in a timely fashion, the City at its option may make such payments for a period not to exceed one (1) year. The City may, in its discretion and upon the showing of special circumstances, make such premium payments for a longer period of time. Should the City make any payments, it may, in its sole discretion, add such payments to the principal amount that the applicant is obligated to repay the City under this program.

Owner will be responsible to acquire a minimum of two (2) estimates from insurance companies to the Housing staff for review and approval.

b. Flood Insurance

In areas designated by HUD as flood prone, the owner is required to maintain flood insurance in an amount adequate to secure the Rehabilitation Loan. This policy must designate the City as Loss Payee. The Rehabilitation Loan may pay the premium for one year.

c. Escrow Account

Applicants will be offered to pay into an escrow account for fire insurance and property taxes.

H. REFINANCE AND SUBORDINATION

Consideration for refinancing of primary lien will be given as long as it does not exceed loan limit.

Consideration for approval to subordinate a CDBG/CalHome, Home or any State or Federal loan, in order for the owner to refinance the property, would be taken under the following conditions:

- a. Due to death of spouse or loss of employment that would impact the ability to pay the loan and/or creates a financial hardship.
- b. Refinancing of 1st lien could be offered in conjunction with the rehabilitation loan. Total amount not to exceed the maximum loan amount.
- c. Owner being at 50% of median income, which an additional loan could create a hardship.

I. LOAN OR GRANT APPROVAL

All loans and grants must be approved in order to obtain CDBG financing; applicants must meet all property and eligibility guidelines in effect at the time of loan approval. Applicants will be provided written notification of approval or denial. Reason for denial will be provided to the applicant in writing.

Step One – Intake Activities:

1. A meeting is scheduled with the prospective applicant to explain the program and types of funding available. If the prospective applicant feels they qualify, an initial screening will be done by obtaining personal and property information in order to make the determination of eligibility.
2. Information collected during initial screening will include the following:
 - a. Completed application and necessary forms.
 - b. Prior **two** years income tax return.
 - c. Recent paycheck stub, unemployment insurance payment.
 - d. Documentation of social security, disability pension, child support or other income.
 - e. Documentation of mortgage or grant deed.
 - f. Most recent real estate tax bill.
 - g. Property insurance policy.
3. Once all documents have been received, materials will be reviewed to determine eligibility and type of assistance to be provided to the applicant. If the applicant is found ineligible to participate, a letter will be sent to the applicant explaining the reason for rejection.
4. All eligible applicants are moved on to step two.

Step Two – Initial Inspection:

1. An appointment is scheduled to inspect the housing structure in order to determine the necessary rehabilitation work.
2. Based on the program requirements and the requirements of the Uniform Building Code (UBC) each deficiency will be pointed out to the applicant and list the deficiency on the report.
3. An appointment will be scheduled to review the inspection finding report with applicant and discuss both the required and recommended work to be done.

Step Three – Preparation of Scope of Work/Contractor Selection

1. Once the applicant has approved the rough draft report, a work write-up outlining the code violations and the work necessary to conduct those violations and the work necessary to correct those violations along with a floor plan detailing the necessary changes will be prepared. Bid packages will then be sent out to contractors for competitive sealed bids.
2. The Housing Rehabilitation Program will finance 100% of the lowest bid or a higher bid not exceeding \$3,000 of the lowest amount.
3. Interested contractors must comply with the following minimum requirements:
 - a. Provide a completed application.
 - b. Evidence of valid general contractor's license with the State of California.
 - c. Evidence of Worker's Compensation and Public Liability business coverage.
 - d. Demonstrate a satisfactory credit history.
 - e. Demonstrate a satisfactory performance history.
 - f. Must maintain a valid contractor's license throughout course of the rehabilitation project.
4. Bid invitations are mailed to the participating contractors with a cover letter indicating the opening date, time, name, and address. All sealed bids are opened in a public place with two persons present. Once all bids have been opened and documented, the applicant is contacted with the results. The applicant is offered the opportunity to select the contractor within the limitations described in the guidelines. Once the applicant has made a selection, all bidding contractors will be notified with the names of all bidders, bid amount and name of contractor chosen.

Step Four – Financial Review and Underwriting:

1. The application information is verified along with performing a credit check and examining title.
2. When all required information is compiled the review is conducted for final approval.
3. Application is presented to the loan review committee.

4. If application is rejected, applicant will be informed by phone followed by a letter with a reason for denial.

Step Five – Loan Documental:

1. Upon approval of loan, the necessary legal documents will be prepared for the applicant's signature.
2. The applicant is provided with a three-day recession period to allow for final review of documents and provide the opportunity for cancellation of the transaction before commencement of the rehabilitation work.

Step Six – Construction Management and Disbursement of Funds:

A. Pre-construction Conference

The pre-construction conference will follow the recession period. At the conference meeting, the applicant, contractor and the Housing Inspector will review the contract, clarify the roles and responsibilities of each party, review procedures for inspection and for progressive payments, and discuss any changes and/or explain any unclear items. Once all are in agreement with the scope of work the Construction Agreement documents are signed between the applicant and the contractor.

B. Progress Inspections

Throughout the construction period, the contractor's work will be monitored to ensure that work is done in a professional and timely manner. All work must be completed as per the progressive payment schedule, which is specified in the contract, before authorization for payment is requested.

C. Authorizing Payment

1. Upon satisfaction of completed progress work, a payment letter will be prepared and signed by the contractor and the homeowner who authorizes payment. This request letter will be submitted to the Finance Department for processing of payment.

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2. At final inspection, the contractor is required to submit copies of all warranties and releases of lien from subcontractors and suppliers. Final
 3. Payment will not be issued until all documents have been properly completed and the recorded Notice of Completion and all lien releases have been submitted.
 4. When all monies have been paid to the contractor and the project has been completed. All necessary documents will be drawn up to close the loan, and set up the loan repayment schedule.
 5. Contractor is to provide a one-year warranty on the work conducted.

J. REPAIR CALLBACKS

In the event that a contractor must be called back to make corrections on rehabilitation work items that are not covered by the one year warranty, the City has the option to cover the costs through the current CDBG construction budget.

K. PROGRAM COMPLAINT AND APPEAL PROCEDURE

Complaints concerning the CDBG Program should be made to the Project Contractor first. If unresolved in this manner, the complaint or appeal shall be made in writing and filed with the City. The City will then schedule a meeting with the CDBG Loan Review Committee. Their written response will be made within fifteen (15) working days. If the applicant is not satisfied with the committee's decision, a request for an appeal may be filed with the City Council. Final appeal may be filed in writing with HCD within one year after denial or the filing of the Project Notice of Completion.

L. GRIEVANCES BETWEEN PARTICIPANTS AND CONSTRUCTION CONTRACTOR

Contracts signed by the contractor and the participant include the following clause, which provides a procedure for resolution of grievances:

Any controversy arising out of or relating to this Contract, or the breach thereof, shall be submitted to binding arbitration in accordance with the provisions of the California Arbitration Law, Code of Civil Procedure 1280 et seq., and the Rules of the American Arbitration Association. The arbitrator shall have the final authority to order work performed, to order the payment from one party to

another, and to order who shall bear the costs of arbitration. Costs to initiate arbitration shall be paid by the party seeking arbitration. Notwithstanding, the party prevailing in any arbitration proceeding shall be entitled to recover from the other all attorney's fees and costs of arbitration.

M. AMENDMENTS

Amendments to these guidelines may be made by the City and submitted to HCD for approval.

N. EXCEPTIONS

Exceptions to these guidelines will require City Council and HCD approval.

O. ATTACHMENTS

The following documents are attached and form a part of these guidelines:

- a. Income Inclusions and Exclusions/Income Limits
- b. Delinquent Loan Policy / Foreclosure Policy / Changes in Tenancy
- c. Sweat Equity
- d. Residential Anti-displacement and Relocation Assistance Plan

INCOME INCLUSIONS AND EXCLUSIONS

Income Inclusions

Note: When future legislative changes are made to the definition of annual income, the change will be published in the Federal Register and agencies will be given 60 (sixty) days from the date of publication to implement the changes.

1. The full amount, before any payroll deductions of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
2. The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
3. Interests, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be use a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph 2 of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment;
5. Payments in lieu of earnings, such unemployment, worker's compensation, and severance pay (but see paragraph 3 under Income Exclusions);
6. Welfare Assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustments by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
 - (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
 - (ii) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the families welfare assistance is ratably reduced from the standard of need by applying a percentage the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;

7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
8. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family, spouse, or other person whose dependents are residing in the unit (but see paragraph (7) under Income Exclusions).
9. Relocation Payments.

Income Exclusions

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children;
3. Lump-sum additions to family assets, such as inheritance, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (but see paragraph (3) of Income Inclusions);
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses or any family member;
5. Income of a live-in aide;
6. Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of the student. Any amounts of such scholarships or payments to a veteran not used for the above purposes that is available for subsistence are to be included in income;
7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
8.
 - (i) Amounts received under training programs funded by HUD;
 - (ii) Amounts received by a disabled person that are disregarded for a limited time for purpose of supplemental security income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS); or
 - (i) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and that made solely to allow participation in a specific program;
9. Temporary, nonrecurring, or sporadic income (including gifts); or
10. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the 1937 Act. The following is a list of types of income that qualify for that exclusion (9/27/89 regulations):
 - (a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
 - (b) Payments to volunteers under the Domestic Volunteer Service act of 1973 (employment through VISTA, Retired Senior Volunteer Program Foster Grandparents Program, youthful offenders incarceration alternatives, senior companions);
 - (c) Payments received under the Alaska Native Claims Settlement act (43 U.S.C 1626(a));

- (d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259(e));
 - (e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (43 U.S.C. 8624(f));
 - (f) Payments received under programs funded in whole or in part under the Job Training Partnership Act;
 - (g) Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
 - (h) The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims (25 U.S.C. 1407-1408) or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117);
 - (i) Amounts of scholarships funded under Title IV of the Higher Education Act of 1985 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs, that are made available to cover the costs of tuition fees, books, equipment, materials, supplies, transportation, and miscellaneous personal expenses of a student at an educational institution (20 U.S.C. 1087 uu);
 - (j) Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056(f));
 - (k) Any earned income tax credit to the extent it exceeds income tax liability;
 - (l) Payments received later January 1, 1989, from the Agent Orange Settlement Fund or any other funds established pursuant to the settlement in the In Re Agent Orange product liability litigation, MDL No. 381 (E.D.N.Y.);
 - (m) Payments received under the Main Indian Claims Settlement Act of 1980.111
-

INCOME LIMITS

80% of Imperial County Median Income – **2004**

(Area Median Income - **\$49,100**)

1 Person – **\$27,500**

2 Persons - **\$31,400**

3 Persons - **\$35,350**

4 Persons - **\$39,300**

5 Persons - **\$42,400**

6 Persons - **\$45,550**

7 Persons - **\$48,700**

8 Persons - **\$51,850**

Attachment B

DELINQUENT LOAN POLICY

It is the City's policy to review monthly reports it receives from the collection contractor and send out three delinquency notices at 30-day intervals each. The first 30-day notice will be followed up with a courtesy telephone call. The second 30-day notice will be followed up with a demand telephone call. The third 30-day notice will be followed up with a telephone call advising that foreclosure proceedings will begin unless the delinquent balance is brought current.

CDBG FORECLOSURE POLICY

It is the City's policy to prepare and record a "Request for Notice" on all junior liens (any lien after the first position) placed on properties after a rehabilitation loan has been approved.

This document requires any senior lien holder to notify the lender (City) of initiation (recording of a "Notice of Default") of a foreclosure only. This is to alert the junior lien holder that they are to monitor the foreclosure with the senior lien holder.

The junior lien may conceal the foreclosure proceedings by "reinstating" the senior lien holder. The reinstatement amount must be obtained by contacting the senior lien holder. This amount will include all delinquent payments, late charges, advances (fire insurance premiums, property taxes, property protection cost, etc), and foreclosure costs (fees for legal counsel, recordings, certified mail, etc).

Once the City has the information on the reinstatement amount, staff must then determine if it is cost effective to protect their position by reinstating the senior lien holder, keeping them current by submitting a monthly payment thereafter, foreclosing on the property possibly resulting in owning the property at the end of foreclosure, protecting the property against vandalism, and paying marketing costs (readying the home for marketing, monthly yard maintenance, paying a real estate agent a sales commission of 6% of the sales price).

If the City decides to reinstate, the senior lienholder will accept the amount to reinstate the loan up until five (5) days prior to the set "foreclosure sale date". This foreclosure sale date: usually occurs about four (4) to six (6) months from the date of recording of the "Notice of Default". If the City fails to reinstate the senior lienholder before five (5) days prior to the foreclosure sale date, the senior lienholder would then require a full payoff of the balance, plus costs, to cancel foreclosure. If the City determines the reinstatement and maintenance of the property not to be cost effective and allows the senior lienholder to complete foreclosure, the City's lien will be "wiped out".

When the City is in a third position and receives notification of foreclosure from only one senior lienholder, it would be in their best interest to contact both senior lienholders regarding the status of their loans.

When the City is in a first position, or the senior lienholder, active collection efforts will begin on any loan that is thirty-one (31) or more days in arrears. Attempts will be made to assist the owner in bringing and keeping the loan current. These attempts will be conveyed in an increasingly urgent manner until loan payments have reached ninety (90) days in arrears, at which time the City may consider foreclosure.

City staff will consider the following factor before initiating foreclosure:

- ◆ Can the loan be cured (brought current or paid off) by the owner without foreclosure?
- ◆ Can the owner sell the property and pay off the City?
- ◆ Does the balance warrant foreclosure? (If the balance is under \$5,000 the expense of foreclosure may not be worth pursuing).
- ◆ Will the sale price of home “as is” cover the principal balance owing, necessary advances, (maintain fire insurance, maintain or bring current delinquent property taxes, monthly yard maintenance, periodic inspections of property to prevent vandalism, et.) foreclosure, and marketing costs?

If the balance is substantial and all of the above factors have been considered, the City may opt to initiate foreclosure. The owner must receive, by certified mail, a thirty-day notification of foreclosure initiation. This notification must include the exact amount of funds to be remitted to the City to prevent foreclosure (such as, funds to bring a delinquent BMIR current or pay off a DPL).

At the end of thirty days, the City should contact a reputable foreclosure service or local title company to prepare and record foreclosure documents and make all necessary notifications to the owner and junior lienholders. The service will advise the City of all required documentation to initiate foreclosure (Note and Deed of Trust usually) and funds required from the owner to cancel foreclosing proceedings. The service will keep the City informed of the progress of the foreclosure proceedings.

When the process is completed, and the property has “reverted to the beneficiary” at the foreclosure sale, the City would then contact a real estate agent to market the property.

Changes in Tenancy

In the event that an owner occupant discontinues residence in the rehabilitated property and wants to convert it to a rental unit, the owner may opt to execute a Rent Limitations Agreement. The existing loan will be converted to the applicable rental loan rates and terms of the City.

If the title of the property is transferred and the owner-occupant falls within the targeted income group, the loan may be assumed at the qualifying rate, however, if the owner-occupant is not within the targeted income group, the loan will have to be paid in full. A six-month limit will be allowed to pay the loan.

After the death of an owner of a program-rehabilitated residence, the City will contact the heirs and request information on the occupants. If the heirs are eligible to participate in the program and will be occupying the residence, the loan may be assumed at their qualifying interest rate. However, if the property is transferred to an owner-investor, the loan will be serviced in accordance with the City's Rental Rehabilitation Program Guidelines.

***CITY OF CALEXICO
SWEAT EQUITY
LABOR LEVERAGE PROGRAM***

The City of Calexico proposes to use sweat equity as part of its private contribution to the program. The goals of the sweat equity program are:

1. To encourage owners to assist in the rehabilitation of their homes in order to decrease the amount of public financing on the job.
2. To encourage participation of owners whose limited financial resources might otherwise exclude them from the rehabilitation program.

System:

The rehabilitation work to be performed by homeowners is valued at the equivalent cost which would be incurred if a subcontractor performed the work. This provides an accurate measurement of the actual leverage value to the project; that is, the cost in program dollars which would be incurred without the participant labor. Amount allowed shall not exceed ten dollars (\$10.00) per hour. Homeowner shall not be allowed to conduct work on any surface that contains Lead Base. If homeowner does decide to conduct such work they will be required to attend the one day work safe class.

The Housing Inspector will prepare the work write-ups and cost estimates for the work to be done on any given house. The entire work is estimated at contract prices. With this cost estimate in hand, negotiation takes place with the homeowner can lower their financial commitment by providing labor to the project.

Typically, the tasks that a homeowner might accomplish would be activities that an unskilled laborer could master. This could include painting preparation and application, excavation for foundation footing, and demolition. Labor costs to which the homeowner is willing and able to commit are then subtracted from the basic cost estimate. This enables the property owner to clearly recognize the cash savings in sweat equity.

In all cases, the homeowner is required to sign a "Participation Agreement" which specifies the work to be completed and the estimated time schedule.

The Housing Inspector maintains records of the work done by the homeowner and when the rehabilitation is complete, staff then reviews the records as well as actual expenditures to determine if any adjustments are necessary to the initial estimated value of homeowner's labor. Where funds were held in contingency to cover the sweat equity labor, the homeowner's loan is credited for the work contributed.

One of the key elements of the success of the sweat equity rehab will be the ongoing involvement of the Housing Inspector with the homeowner. Even in situations where the homeowner is expected to do all the work, the Housing Inspector will be responsible for providing technical assistance and support the homeowner. In addition, the Housing Inspector will monitor the project for code compliance and will provide additional quality control.

***SWEAT EQUITY
PARTICIPATION AGREEMENT***

I _____ do hereby agree to perform the work described below:

Provide material and labor for installation of _____
_____ in a single family dwelling.

All work shall be according to acceptable standards of the construction industry and according to the City's Building Code. The construction materials will be those outlined in the work write-up.

I agree not to conduct work on any surface that contains Lead Base; if I do choose to do so, I am in agreement that I will be required to attend the one day work safe class.

A final inspection shall be performed and all corrections made before the filing of the Notice of Completion.

I/We agree that the work will begin on _____ and will be completed on _____.

If work is not completed upon the agreed date, it is understood that the contractor shall complete the work.

- a. The contractor's cost shall be added to the construction loan
- b. The allotted time shall be extended by time lost by the applicant.

Homeowner

Date

Homeowner

Date

Inspector

Date

SWEAT EQUITY FORM

Homeowner's Name

Homeowner's Name

_____, ***Calexico, CA***
Address

Grant Agreement Number

| <i>Work to be Performed</i> | <i># of Hours to be worked</i> | <i>Hourly Rate</i> | <i>Total</i> |
|---|---|---|---------------------|
| <i>1. Paint interior wall, ceilings, exterior walls, and wood trim (paint will be provided by homeowner)</i> | | <i>\$10.00</i> | |
| <i>2. Demolition of wood storage room (rubbish to be removed by homeowner)</i> | | <i>\$10.00</i> | |
| <i>TOTAL HOURS CONTRIBUTED</i> | | <i>Total Sweat Equity Amount</i> | |

The City of Calexico will provide relocation assistance to displaced Targeted Income Group households and/or replace all occupied and vacant occupiable Targeted Income Group dwelling units, which are rehabilitated, reconstructed, demolished, or converted to a use other than Targeted Income Group housing as a direct result of activities assisted with funds provided under the Housing and Community Development Act of 1974, as amended, as described in the Federal Register, 24 CFR 570.496(a), Relocation, Displacement and Acquisition: Final Rule dated July 18, 1990 (Section 104(d) and 49 CFR Part 24, Uniform Relocation Assistance and Real Property Acquisition Regulations Final Rule and Notice (URA) dated March 2, 1989.

This project will be implemented in ways consistent with the City's commitment to Fair Housing. Participants will not be discriminated against on the basis of race, color, religion, age, ancestry, national origin, sex, familial status, or handicap. The City will provide equal relocation assistance available: 1) to each Targeted Income Group household displaced by the demolition or rehabilitation of housing or by the conversion of a Targeted Income Group dwelling to another use as a direct result of assisted activities; and 2) to each separate class of Targeted Income Group persons temporarily relocated as a direct result of CDBG assisted activities.

A. Temporary Relocation during Housing Rehabilitation or Reconstruction

Consistent with the goals and objectives of activities assisted under the Act, the City will take the following steps to minimize the displacement of persons from their homes during housing rehabilitation or reconstruction funded by the State of California's Community Development Block Grant (CDBG) program:

1. Stage rehabilitation of assisted housing to allow owner occupants and/ or tenants to remain during rehabilitation.
2. Encourage temporarily displaced owner occupants to move in with family or friends during the course of rehabilitation, since they are voluntarily participating and not entitled to relocation benefits, unless health and safety threats exist, as explained below.
3. Encourage owner investors to relocate tenants to available vacant units during the course of rehabilitation or pay expenses on behalf of replaced tenants.
4. Require owner investors who participate in assisted rehabilitation to agree to continue to rent to Targeted Income Group tenants and agree to rent limitations, for a period of at least five years.
5. Provide counseling and referral services to assist displaced persons to find alternate housing in the neighborhood.
6. Work with area landlords, real estate brokers, and/or hotel/motel management to locate vacancies for households facing displacement.

7. When necessary, use public funds, such as CDBG funds, to pay moving costs and provide relocation payments to households displaced by assisted activities.

B. Temporary Relocation of Residential Tenants

If continued occupancy during rehabilitation is judged to constitute a substantial danger to health and safety of the tenant or the public, or is otherwise undesirable because of the nature of the project, the tenant may be required to relocate temporarily. Determination of the need for temporary relocation will be made by the program administrator or construction supervisor. The relocation period will not exceed 90 days. All conditions of temporary relocation will be reasonable. Any tenant required to relocate temporarily will be helped to find another place to live which is safe, sanitary and of comparable value. He or she may move in with family and friends and still receive the following:

1. Increased housing costs (e.g. rent increase, security deposits) and
2. Payment for moving and related expenses, as follows:
 - a. Transportation of the displaced persons and personal property within 50 miles, unless the grantee determines that farther relocation is justified;
 - b. Packing, crating, unpacking, and uncrating of personal property;
 - c. Storage of personal property, not to exceed 12 months, unless the grantee determines that a longer period is necessary;
 - d. Disconnection, dismantling, removing, reassembling, and reinstalling relocated household appliances and other personal property;
 - e. Insurance for the replacement value of personal property in connection with the move and necessary storage;
 - f. The replacement value of property lost, stolen or damaged in the process of moving (not through the fault of the displaced person, his or her agent, or employee) where insurance covering such loss, theft or damage is not reasonably available.
 - g. Reasonable and necessary costs of security deposits required to rent the replacement dwelling;
 - h. Any costs of credit checks required to rent the replacement dwelling;
 - i. Other moving related expenses as the grantee determines to be reasonable and necessary, except the following ineligible expenses:
 - 1) Interest on a loan to cover moving expenses; or
 - 2) Personal injury; or

- 3) Any legal fee or other cost for preparing a claim for a relocation payment or for representing the claimant before the Grantee; or
- 4) Costs for storage of personal property on real property already owned or leased by the displaced person before the initiation of negotiations.

C. Temporary Relocation of Owner Occupied

Since all rehabilitation work for owner occupants is voluntary, an owner occupant may only be eligible for temporary relocation benefits when his or her residential unit is approved for reconstruction or during rehabilitation that would endanger the health and safety of occupants if they remained in the house during rehabilitation. Determination of the need for temporary relocation will be made by the program administrator or construction supervisor. Allowable temporary relocation expenses are the same as those listed above for tenants.

D. Displacement Activities Requiring Long-Term Relocation Assistance

Persons displaced by projects assisted in whole or in part with funds provided under the Housing and Community Development Act of 1974, as amended, are eligible for permanent relocation assistance and benefits under either section 104(d) or URA, depending on which relocation assistance regulations are applicable. Persons with the Targeted Income Group are eligible to receive assistance and benefits under section 104(d) and have the option of choosing benefits only under URA. Persons who are outside the Targeted Income Group may receive assistance and benefits only under URA. There is no income eligibility or criteria need. However, the City's CDBG funded residential rehabilitation program is targeted to low-and very low-income households only and temporary relocation will be needed.

All replacement housing will be provided within three years of the commencement of the demolition or conversion. Before obligating or expending funds that will directly result in such demolition or conversion, the City will make public and submit to the California Department of Housing and Community Development the following information in writing:

1. A description of the proposed assisted activity;
2. The location on a map and approximate number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than Targeted

- Income Group dwelling units as a direct result of the assisted activity;
3. A time schedule for the commencement and completion of the demolition or conversion;
 4. The location on a map and approximate number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units. If such data are not available at the time of the general submission, the City will identify the general location on an area map and the approximate number of dwelling units by size and provide information identifying the specific location and number of dwelling units by size as soon as it is available;
 5. The source of funding and a time schedule for the provision of replacement dwelling units;
 6. The basis for concluding that each replacement dwelling unit will remain a Targeted Income Group dwelling unit for at least 10 years from the date of initial occupancy; and
 7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units) is consistent with the housing needs of Targeted Income Group households in the City.

The City is responsible for tracking the replacement of housing and ensuring that it is provide within the required period. The City is responsible for ensuring requirements are met for notification and provision of relocation assistance, as described in 570.496, to any Targeted Income Group displaced by the demolition of any dwelling unit or the conversion of a targeted income group dwelling unit to another use in connection with an assisted activity.

E. Recordkeeping

The City will maintain records of occupants of federally funded rehabilitated, reconstructed or demolished property from the start to completion of the project to demonstrate compliance with section 104(d), URA and applicable program regulations. Appropriate advisory services will include reasonable advance written notice of (a) the date and approximate duration of the temporary relocation; (b) the address of the suitable, decent, safe, and sanitary dwelling to be made available for the temporary period; (c) the terms and conditions under which the tenant may lease and occupy a suitable, decent, safe and sanitary dwelling. Notices shall be written in plain, understandable language. Persons who are unable to read and understand the notice (e.g., illiterate, foreign language, or impaired vision or other disability) will be provided with appropriate translation/communication. Each notice will indicate the name and telephone number of

a person who may be contacted for answers to questions or other help needed. The Advisory Notices to be provided are as follows:

1. General Information Notice: As soon as feasible when an owner investor is applying for federal financing for rehabilitation, reconstruction, or demolition, the tenant of a housing unit will be mailed or hand delivered a General Information Notice that the project has been proposed and that the tenant will be able to occupy his or her present house (or another owned by the owner investor) upon completion of rehabilitation. The tenant will be informed that rent after rehabilitation will not exceed current rent for 30 percent of his or her average monthly gross household income. The tenant will be informed that if he or she is required to move temporarily so that rehabilitation can be completed, suitable housing will be made available and he or she will be reimbursed for all reasonable extra expenses. The tenant will be cautioned that he or she will not be provided relocation assistance if he or she decides to move for personal reasons.
2. Notice at Time of "Initiation of Negotiations": As soon as feasible when the rehabilitation application has been approved, the tenant of a housing unit scheduled for rehabilitation, reconstruction, or demolition will be informed of the Initiation of Negotiations and again informed of the above reasonable terms and conditions under which the person may lease and occupy the property upon completion of the project. The tenant will also again be cautioned not to move for personal reasons during rehabilitation, or risk losing relocation assistance.
3. Notice for Persons to be Displaced: After a comparable replacement dwelling has been made available, the tenant will be given a 90 day advance written notice of the earliest date he or she may be required to move. If the tenant's continued occupancy of the property would constitute a substantial danger to health or safety, less than 90 days' advance notice may be provided. Justification of such an urgent need will be documented in the participant's job file. Another instance where the 90-day notice is not required is if the tenant makes an informed decision to relocate and vacates the property without prior notice.